

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 L-03 H-03

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DRC-01 /144 W
----- 021879

R 091554Z AUG 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5217

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E.O. 11652: N/A

TAGS: EGEN, EFIN, VE

SUBJECT: PROPOSED INSURANCE LAW

REF: A. STATE 165827; B. CARACAS 7341

1. PROPOSED LEGISLATION ON INSURANCE INDUSTRY REMAINS UNDER STUDY WITHIN THE MINISTRY OF DEVELOPMENT AND THE SUPERINTENDENCY OF INSURANCE. AT THE MINISTRY'S SUGGESTION A COMMISSION COMPOSED OF REPRESENTATIVES OF NON-VENEZUELAN INSURANCE ENTERPRISES WAS FORMED AND IN MID JULY SUBMITTED ITS RECOMMENDED AMENDMENTS TO THE DRAFT.

2. PRINCIPAL MODIFICATION WOULD DROP REFERENCE TO NATIONAL COMPOSITION OF CORPORATE SHAREHOLDERS AND ORIGIN OF CAPITAL FROM ARTICLE 27. NO ALTERNATE RECOMMENDATION WAS PUT FORWARD BUT COMMISSION MEMBERS HOPED THAT INSURANCE INDUSTRY MIGHT RECEIVE 49-51 PERCENT OR 40-60 PERCENT FOREIGN OWNERSHIP TREATMENT AFFORDED TO VARIOUS OTHER ENTERPRISES. ANOTHER CHANGE WOULD REPLACE MANDATORY VENEZUELAN NATIONALITY WITH A RESIDENCE REQUIREMENT (FOR MANAGERS AND CORPORATE BOARD MEMBERS) MOST OTHER MODIFICATION DEALT WITH RELATIVELY MINOR ASPECTS OF CONDUCTING BUSINESS INCLUDING ALLOCATION OF REINSURANCE

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THE COMMISSION ALSO ASKED THAT WHATEVER RESTRICTIONS ARE ENACTED, THAT THE DEADLINE FOR COMPLIANCE BE REVISED TO THE THREE YEAR PERIOD OBTAINING IN OTHER RECENT DIVESTMENT LEGISLATION.

3. THE COMMISSION AND OTHER MEMBERS OF THE INSURANCE COMMUNITY HAVE HELD WEEKLY DISCUSSIONS WITH DEVELOPMENT MINISTRY OFFICIALS. THE MINISTRY'S LEGAL COUNSEL WHO HAD BEEN CHARGED WITH WORKING WITH INDUSTRY REPRESENTATIVES HAS RECENTLY RESIGNED AND TALKS ARE FELT TO BE DRIFTING. THIS DEVELOPMENT DOES NOT DISPLEASE THE COMMISSION WHICH FEELS TIME TO BE ON INDUSTRY'S SIDE.

4. AS INDICATED IN REF B, THE AMBASSADOR HAS DISCUSSED THE MATTER AT A HIGH GOVERNMENT LEVEL AND WAS INFORMED THAT NO DECISION ON THE LEGISLATION HAS YET BEEN MADE.

5. THE AMBASSADOR SOUGHT COMMENTS FROM AMERICAN BUSINESSMEN AT A MEETING ON AUGUST 7. THE CONSENSUS WAS THAT VENEZUELAN INSURANCE ORGANIZATION LACKED THE NECESSARY EXPERIENCE TO ASSUME ROLE PROPOSED IN DRAFT. HOWEVER, IT WAS CONCEDED THAT NATIONALISTIC SENTIMENT COULD CAUSE THIS PRACTICAL OBJECTION TO BE DISREGARDED.

6. SINCE THE COMMISSION REPRESENTING THE PRIVATE INSURANCE COMPANIES IS NOW CONDUCTING DISCUSSIONS WITH THE RESPONSIBLE GOVERNMENT ENTITIES, WHICH APPEAR RECEPTIVE TO ITS SUGGESTIONS, THE EMBASSY INTENDS TO LET THOSE RUN THEIR COURSE BEFORE CONTEMPLATING APPROACHING THE GOVERNMENT ON BEHALF OF US INSURANCE COMMUNITY IN VENEZUELA.
MCCLINTOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, INSURANCE LAW, BUSINESS FIRMS, DIPLOMATIC DISCUSSIONS, STUDIES, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 09 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA07612
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740219-0113
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740861/aaaacama.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 165827; B. CARACAS 7341
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <20 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED INSURANCE LAW
TAGS: EGEN, EFIN, VE, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005